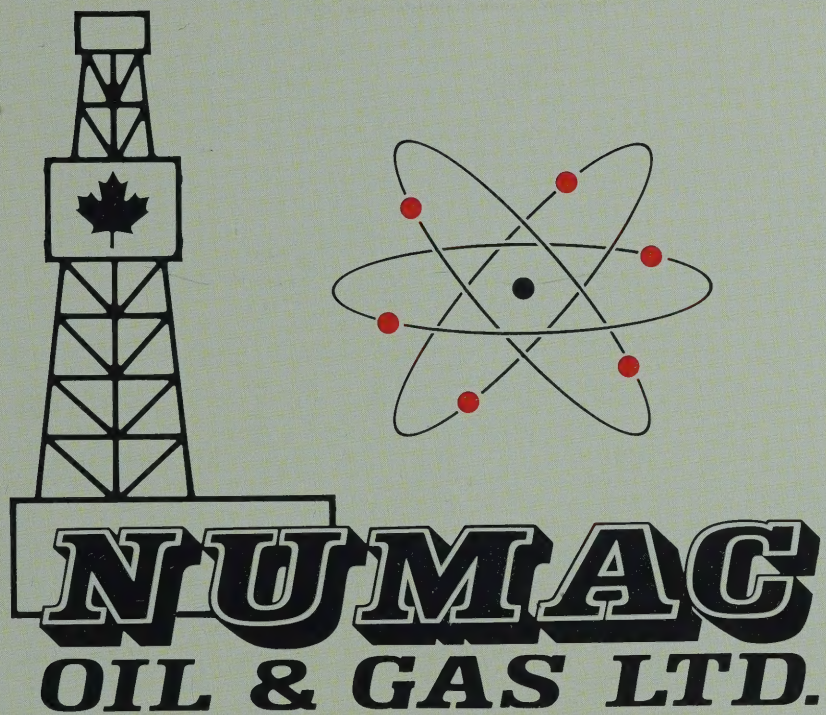




1979 ANNUAL REPORT

Numac Oil & Gas Ltd., founded in 1963 by William S. McGregor, is an independent Western Canadian oil and gas producer also engaged in uranium exploration and development and, to a lesser extent, oil field construction, real estate and exploration for other minerals. In addition to extensive conventional oil and gas properties in Alberta and British Columbia, Numac has major positions in a large uranium discovery in Saskatchewan, 5% net carried interest (12.5% working interest) in a 20 billion barrel oil sands deposit and a 20% net-carried interest in 270,000 acres in the Mackenzie Delta.

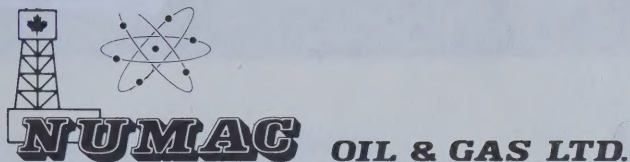
Numac is based in Edmonton, Alberta and is listed on the Toronto and American Stock Exchanges.

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ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders will be held in the Rowand Suite of the Four Seasons Hotel, Edmonton, Alberta at 9:00 a.m. on Wednesday, June 25, 1980. Notice of meeting, information circular and form of proxy are being mailed to each shareholder with this report.



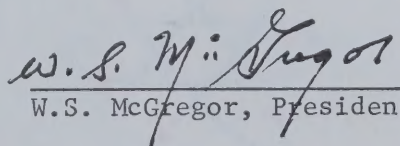
Petroleum Plaza — South Tower
14th Floor, 9915 - 108 Street
Edmonton, Alberta T5K 2G8
Telephone (403) 429-1481

TO THE SHAREHOLDERS:

Subsequent to printing the enclosed Report, the following release was made by General American Oils Ltd., the operator of an oil discovery on our Wembley Reservation in the Elmworth area of Alberta.

"General American Oils Ltd. announces an apparent oil discovery at a well drilled in the Wembley (Elmworth) area of North Central Alberta. The well, "GAO et al Wembley 7-15-71-7 W6M", tested a gross interval in the Halfway formation from 2,139 meters (7,018 feet) to 2,160 meters (7,087 feet). On a drill stem test 320 meters (1,050 feet) of clean, light gravity oil with no water was recovered. General American, the operator, has a 25% undivided working interest in this well. Other participants are Canadian Reserve Oil & Gas Ltd., Numac Oil & Gas Ltd. and Petro-Canada Exploration Ltd., each with a 25% undivided working interest. The four-company group jointly holds licence and lease acreage in this area comprising a total of 27,040 acres. Casing has been run in the well and this zone will be evaluated through pipe."

The above discovery is in addition to Numac's other oil discoveries in the Elmworth area at Gold Creek, as well as the Blood Indian Reserve oil discovery in Southern Alberta, which are mentioned in the enclosed Report.


W.S. McGregor, President

November 9, 1979

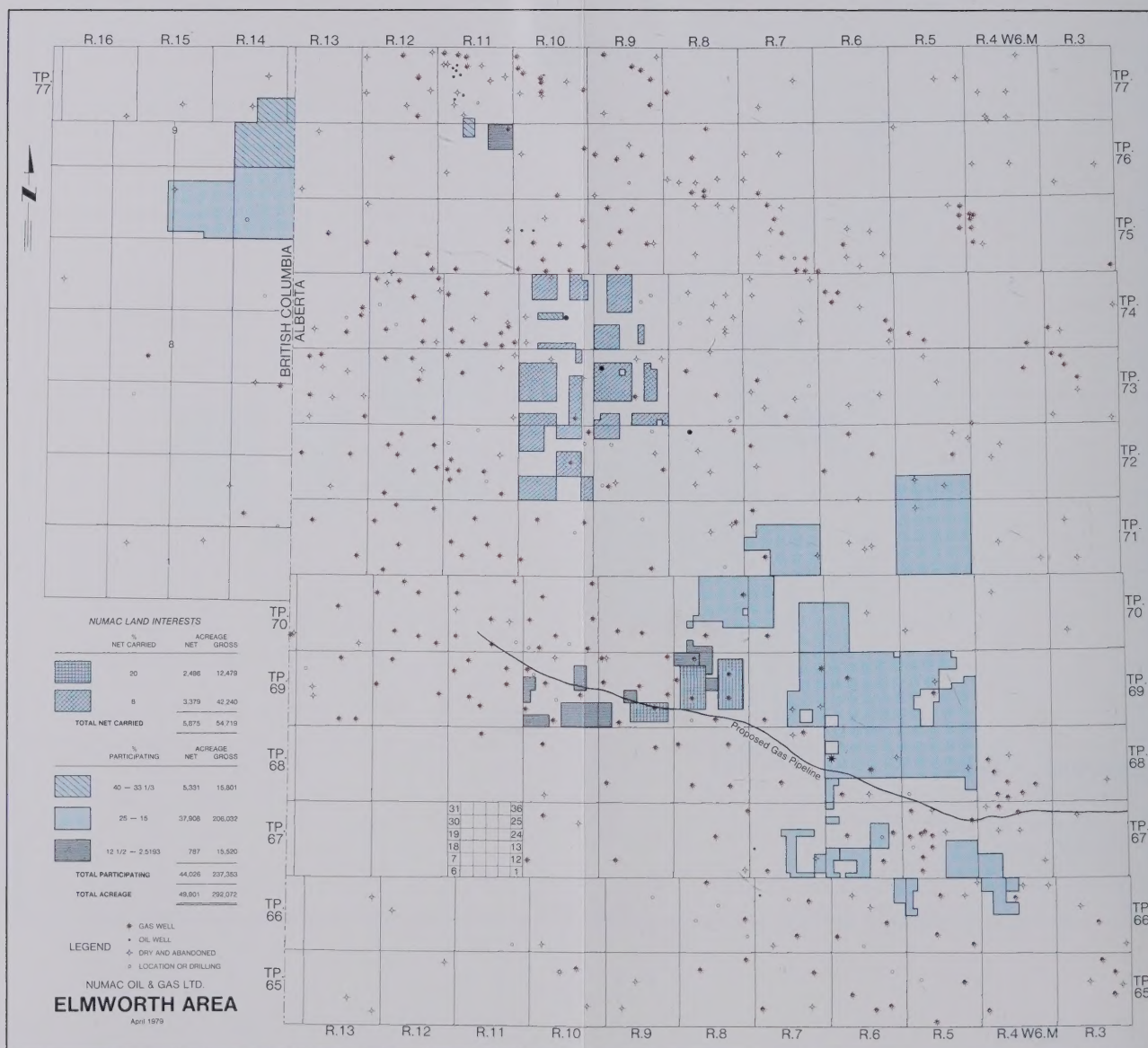


Temple (Sikanni)

The Temple area of northeast British Columbia has proven very rewarding for Numac as the Company participated in drilling four wells in 1979, three of which were cased as potential gas wells from the Triassic Halfway Sand. The initial discovery well was drilled in 1978. The accumulation appears to be a substantial reserve of commercial gas. Numac holds a 33 1/3% interest in 46,000 gross acres in the immediate area of

the above four gas wells and of these 21,410 acres were purchased in 1979. The total overall gross acreage in the above map is 76,069 acres.

The Temple play is 16 miles north of the Laprise producing gas field and 20 miles east of the Clarke Lake gas pipeline. Four other wells have been cased for gas surrounding Numac's holdings.



At ELMWORTH Numac participated in drilling an encouraging Triassic oil discovery 19 miles southwest of Grande Prairie on its 15% interest Gold Creek block of 45,920 acres on the Elmworth trend. The Company will further evaluate this play by production testing this zone and then with follow-up drilling.

Numac has participated in drilling four wells in the Elmworth area in this quarter. These include the above

well cased for oil, one cased for gas, one abandoned and one drilling. Several more wells will be drilled on this acreage in 1979.

The Company has also purchased interests, varying from 15% to 25%, in 23,040 acres in the first quarter of 1979 to give Numac a gross acreage of 292,072 acres.

CONSOLIDATED STATEMENT OF EARNINGS
Three Months Ended March 31, 1979

	1979	1978
REVENUE	<u>\$4,257,951</u>	<u>\$3,480,399</u>
EXPENSE		
Operating	927,554	873,618
General and administrative	155,570	147,452
Interest on long-term debt	103,947	85,427
Other interest	311,553	155,294
Depletion and depreciation	<u>614,066</u>	<u>469,242</u>
	<u>2,112,690</u>	<u>1,731,033</u>
EARNINGS BEFORE INCOME TAXES	<u>2,145,261</u>	<u>1,749,366</u>
INCOME TAXES		
Current	(228,500)	(205,000)
Deferred	<u>904,413</u>	<u>767,590</u>
	<u>675,913</u>	<u>562,590</u>
NET EARNINGS	<u>\$1,469,348</u>	<u>\$1,186,776</u>
CASH FLOW	<u>\$2,934,244</u>	<u>\$2,423,608</u>
PER SHARE*		
Net earnings	\$ 0.17	\$ 0.13
Cash flow	\$ 0.33	\$ 0.27
DIVIDENDS	\$ 885,113	\$ 663,835

1978 restated to reflect August, 1978 two-for-one stock split.

TO THE SHAREHOLDERS

Numac achieved increases in the sale of both oil and gas during the first quarter ended March 31, 1979. Cash flow was \$2,934,244 as compared with \$2,423,608 the year previous, an increase of 21%. Net income of \$1,469,348, exceeded the first quarter of 1978 of \$1,186,776, a 24% increase.

Despite a gas surplus, Numac's gas production in 1979 will exceed 1978 and sales will be at higher prices.

The dividend paid in March was increased by one-third to 10¢ per share semi-annually.

MIDWEST LAKE, SASKATCHEWAN

Based on the first 90 holes drilled on our joint venture at Midwest Lake, 97 million pounds of uranium oxide reserves were estimated to be in place. During the winter, a development program of an additional 171 holes was completed and we expect that the operator, Esso Minerals, will report results when they are available.

Two drilling rigs will be employed on the property drilling exploratory and development holes through the summer in an attempt to add still further reserves to this large and rich ore body.

EXPLORATION

Northeast British Columbia has been an important area for Numac in the first three months of 1979. Areas of significance are Temple (see map) and the YoYo area where Shell drilled a discovery on a 20,000 acre block of Numac's acreage. The well was cased for Devonian gas that tested 4 mmcf/day. Numac participated in purchasing a northeast B.C. area drilling reservation that could be very important to the Company as it is adjacent to a well that was cased for gas. During

AR18

the first quarter, casing was run on still another discovery in the Buick Creek area.

The Company participated in five widely-spaced gas wells in the eastern Alberta area in 1979, made a gas discovery at its Bison area of northern Alberta and cased two wells for oil at Blackie in southern Alberta. In addition, Numac participated in purchasing five sections of land in the Ferrier area offsetting a discovery.

Numac is a partner in two very important wells now drilling in the Alberta Foothills. The Thistle well is scheduled for a depth of 16,000 feet on a 20,000 acre licence where Numac has a 25% interest, and Red Cap is projected as a 14,000 foot test with Numac having a 10%-25% interest in 4,480 acres. Gulf Oil is the operator in both cases.

The Company has participated in 37 wells in 1979 of which 14 were cased for gas, 4 for oil, 1 for water disposal, 14 were dry and abandoned and 4 are still drilling.

SURMONT, ALBERTA

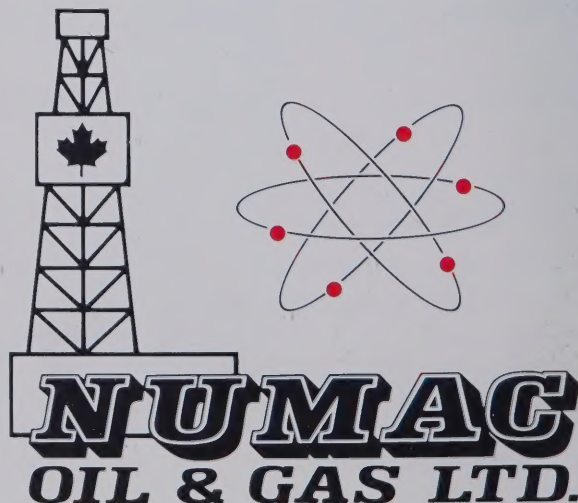
During the winter season, Gulf Oil Canada drilled 20 additional exploratory holes on the 20 billion barrel, 120,000 acre, heavy oil property at Surmont which was farmed out to that company by Numac.

Edmonton, Alberta
May 7, 1979

W. S. McGregor
President and
Managing Director

Report to Shareholders

THREE MONTHS ENDED
MARCH 31, 1979



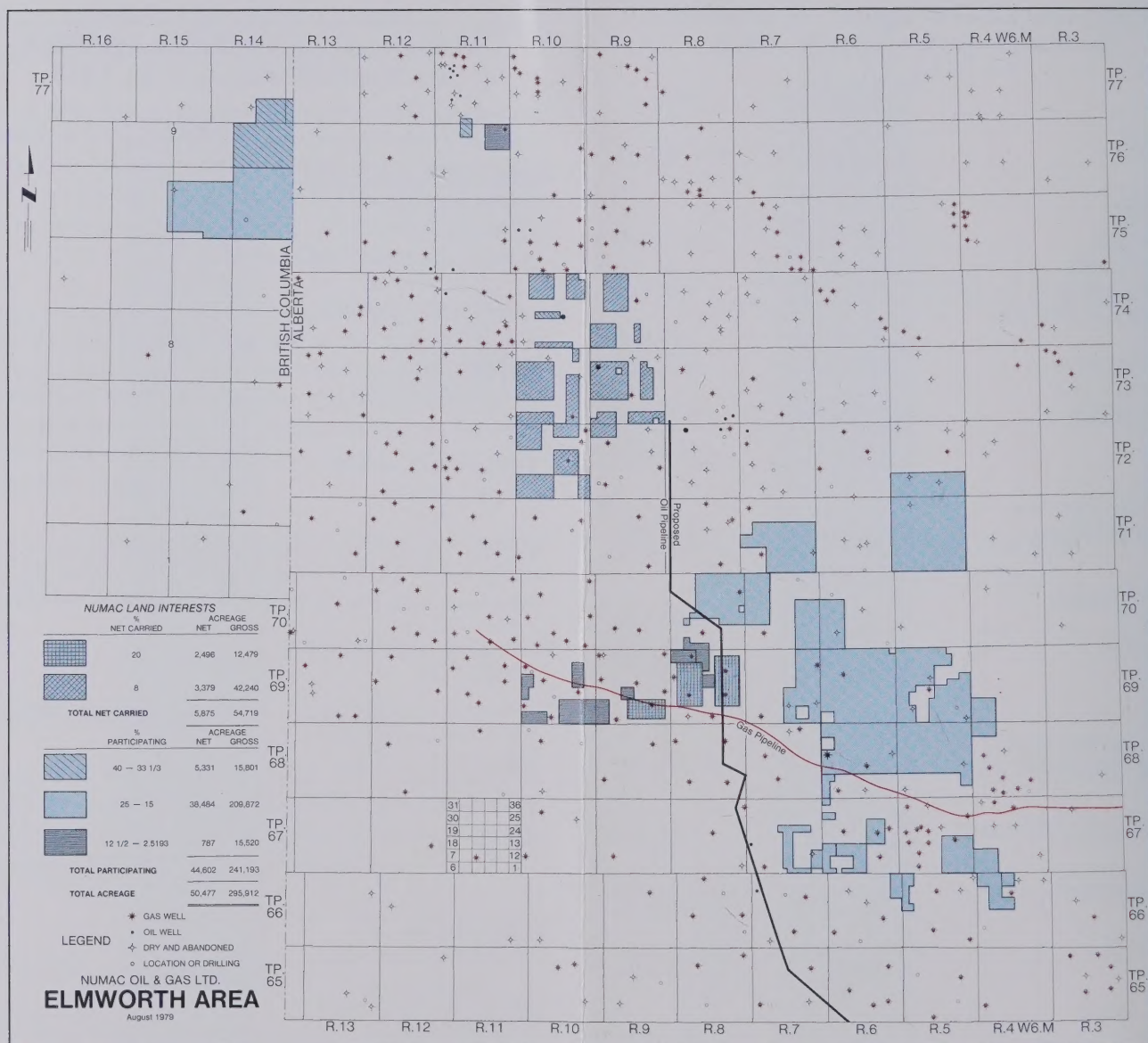
CONSOLIDATED STATEMENT OF EARNINGS
Six Months Ended June 30, 1979

	1979	1978
REVENUE	\$7,754,910	\$6,242,814
EXPENSE		
Operating	1,742,567	1,472,495
General and administrative	314,189	252,027
Interest on long term debt	249,781	155,659
Other interest	721,313	385,633
Depletion and depreciation	1,244,267	900,238
	<u>4,272,117</u>	<u>3,166,052</u>
EARNINGS BEFORE INCOME TAXES	<u>3,482,793</u>	<u>3,076,762</u>
INCOME TAXES		
Current	(434,112)	(366,000)
Deferred	1,482,544	1,337,229
	<u>1,048,432</u>	<u>971,229</u>
EARNINGS BEFORE EXTRAORDINARY ITEM	2,434,361	2,105,533
GAIN ON SALE OF LAND	<u>37,293</u>	<u>33,886</u>
NET EARNINGS	<u>\$2,471,654</u>	<u>\$2,139,419</u>
CASH FLOW	<u>\$5,017,646</u>	<u>\$4,283,861</u>
PER SHARE*		
Earnings before extraordinary item	\$ 0.28	\$ 0.24
Net earnings	\$ 0.28	\$ 0.24
Cash flow	\$ 0.57	\$ 0.48
DIVIDENDS	\$ 885,113	\$ 663,835

**CONSOLIDATED STATEMENT
OF CHANGES IN FINANCIAL POSITION**
Six Months Ended June 30, 1979

	1979	1978
FINANCIAL RESOURCES PROVIDED BY		
Operations		
Earnings before extraordinary item	\$ 2,434,361	\$ 2,105,533
Items not requiring funds	<u>2,583,285</u>	<u>2,178,386</u>
FUNDS FROM OPERATIONS	5,017,646	4,283,861
Proceeds of sale of fixed assets	187,500	107,900
Other	<u>191,257</u>	<u>79,900</u>
	<u>5,396,403</u>	<u>4,471,741</u>
FINANCIAL RESOURCES USED FOR		
Resource properties ...	11,921,406	7,003,000
Plant and equipment	881,788	1,187,900
Reduction of long-term debt	118,110	788,900
Dividends	885,113	663,835
Other	<u>970</u>	<u>308,400</u>
	<u>13,807,387</u>	<u>9,952,135</u>
DECREASE IN WORKING CAPITAL ...	<u>\$ 8,410,984</u>	<u>\$ 5,480,394</u>

*1978 restated to reflect August, 1978, two-for-one stock split.



Numac is continuing its active exploration program in the ELMWORTH area, including a heavy involvement in the newly developing Triassic oil plays. The previously announced oil discovery on our Gold Greek acreage appears to cover an extensive area.

An exploration well, which lies on trend between the Total Petroleum discoveries and Gold Greek discovery, will be drilled on Numac's 25% interest

lands in Township 71, Range 7, W6M.

Locations will also be drilled on Numac's 15% acreage at GRANDE PRAIRIE and on the east side of the Gold Creek block. A 10,000 foot well is now drilling on the 47,600 acre TUPPER prospect which lies on the British Columbia side of the Alberta border. Numac's interest in the Tupper lands varies from 15% to 33 1/3%.

TO THE SHAREHOLDERS

Net income for the first six months of 1979 was \$2,471,654 as compared with \$2,139,419 during the corresponding period in 1978. Cash flow of \$5,017,646 was an increase of 17% over the first six months in 1978.

Canada's natural gas surplus is presently under review by the National Energy Board and presentations now being made by industry would seem to confirm that sizable surpluses of gas are available over and above the needs of Canadians for 25 years. As a result, substantial increases in the quantities of gas for export will probably be approved.

Imperial Oil's large increase in oil reserves at Norman Wells will fortunately have a very favorable impact on the economy of the Northwest Territories and the communities along the Mackenzie Valley since it is probable a pipeline will be built to the field. If this line is built, it will mean a pipeline will service a geologically attractive unexplored area along the Mackenzie Valley. Further, a line to Norman Wells would be two thirds of the way to the Mackenzie Delta where Numac and other companies have substantial proven oil and gas reserves in need of a market outlet.

On July 1st conventional oil at the wellhead in Canada increased \$1.00 to a present price of \$13.75 per barrel. Similarly, the wellhead price for gas increased approximately 15¢ per mcf on August 1, 1979. Further regular increases are expected, which will bring prices for Canadian crude closer to world prices.

During the first week in August, the Alberta Conservation Board approved two oil sands plants of 140,000 barrels per day each — Shell's Alsands and Imperial Oil's Cold Lake projects. Hopefully these approvals are the first steps towards future oil sands plants to be built on a regular basis, thus assuring Canada's oil self-sufficiency and eliminating imports.

Esso Minerals, as Operator, has two diamond drilling rigs now doing exploratory and development drilling on our jointly-owned Midwest Lake uranium property. This drilling will continue for several months and progress reports will be released by Esso as assays and reserves are assessed.

EXPLORATION

Numac participated in several important new gas discoveries in the first six months of 1979 in northeast British Columbia. Several follow-up wells will be drilled to further evaluate these plays. Stepout wells will be drilled at YOYO where a discovery well tested 4 mmcf/day from the Devonian; exploratory wells will be drilled at SIERRA to evaluate a newly purchased drilling reservation; at TEMPLE plans are to drill 6 to 8 new wells and at BUCKINGHORSE where a new significant gas discovery was made and where Numac has a 40% interest in 36,000 acres. Two new gas wells have been drilled at FIREWEED and an exploratory well is underway at BUICK CREEK. Further drilling will also be carried out at RED CREEK and CHARLIE LAKE. Drilling is now underway on the PARKLAND acreage where the Company has a 25% interest in 21,000 acres.

The RED CAP and THISTLE wells in the Alberta foothills are drilling ahead. Red Cap is slated to go to over 14,000 feet and Thistle 16,000 feet. There are 20,000 acres of land around the Thistle well in which Numac has a 25% interest. Numac's interest in the Red Cap area ranges from 11 1/4% to 25%. Gulf Oil operates both of the above wells.

The Company is continually exploring new plays and is involved in several other important prospects that cannot be discussed at this time because of ensuing land sales.

W. S. McGregor

Edmonton, Alberta
August 10, 1979

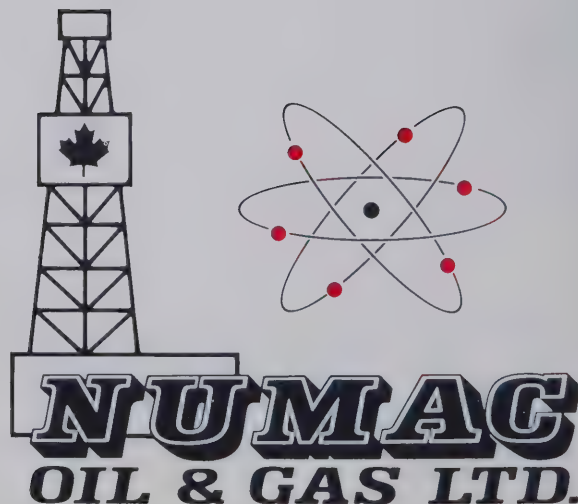
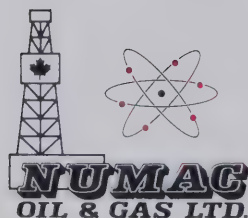
W.S. McGregor
President & Managing Director

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Report
to
Shareholders

SIX MONTHS ENDED
JUNE 30, 1979



**CONSOLIDATED STATEMENT
OF CHANGES IN FINANCIAL POSITION
Nine Months Ended September 30, 1979**

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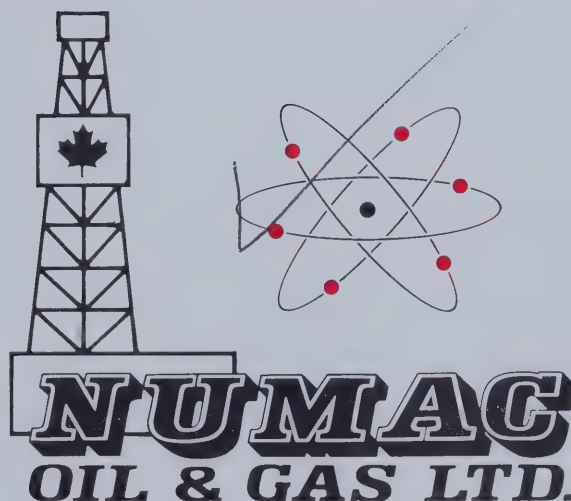
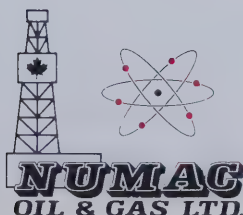
	1979	1978
FINANCIAL RESOURCES PROVIDED BY		
Operations		
Earnings before extraordinary item ...	\$ 3,323,509	\$ 3,171,076
Items not requiring funds	<u>3,799,472</u>	<u>3,172,978</u>
FUNDS FROM OPERATIONS	7,122,981	6,344,054
 Proceeds of sale of fixed assets	 205,500	 351,294
 Other	 <u>197,920</u>	 <u>67,564</u>
	<u>7,526,401</u>	<u>6,762,912</u>
 FINANCIAL RESOURCES USED FOR		
Resource expenditures .	19,529,268	9,924,118
Plant and equipment	941,439	1,938,714
Reduction of long- term debt	237,841	936,264
Dividends	1,770,226	663,835
Other	<u>474</u>	<u>308,422</u>
	<u>22,479,248</u>	<u>13,771,353</u>
 DECREASE IN WORKING CAPITAL ...	 <u><u>\$14,952,847</u></u>	 <u><u>\$ 7,008,441</u></u>

REPORT

TO

SHAREHOLDERS

NINE MONTHS ENDED
SEPTEMBER 30, 1979



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TO THE SHAREHOLDERS

Financial

Net earnings for the nine months ended September 30, 1979 were \$3,360,802 or 38¢ per share, as compared to \$3,204,962 or 36¢ a year earlier. Cash flow was \$7,122,981 or 80¢ per share compared to \$6,344,054 or 72¢ per share. Earnings and cash flow increased despite higher financing costs resulting from higher interest rates and a very active exploration program. Capital expenditures for the nine months amounted to \$20,470,707 versus \$11,862,832 in 1978.

Gas Exports

We continue to await the report by the National Energy Board on the size and timing of gas exports. The findings of the Alberta Energy Conservation Board and producers indicate large surpluses of gas, over and above Canadian needs, are available for export. Numac has substantial quantities of gas awaiting markets with interests in over 130 shut-in gas wells in Alberta and British Columbia.

Uranium

Esso Minerals Canada on August 27, 1979 disclosed that based on 279 holes drilled, an independent consultant reported 56,000,000 pounds of uranium reserves on the Midwest Lake property. This estimate did not include results from 52 holes drilled on strike to the north of the main deposit, several of which have encountered significant mineralization. The overall length of the mineralization occurrence now extends 12,400 feet from north to south and the ore body is still open for possible extensions at both ends. In addition, significant amounts of nickel and cobalt have been encountered. The operator is continuing with development drilling and mine design with a view to mine start-up by the mid-1980's.

Oil Sands — Experimental Project — Gulf-Numac-AOSTRA

The Alberta Oil Sands Technology and Research Authority has made a news release on an agreement with Gulf Canada Resources Inc. regarding testing a new approach to oil recovery from the oil sands. The concepts to be evaluated will involve construction of a vertical shaft, horizontal tunnels and horizontal wells. In the first phase the specific test location will be chosen and the detailed engineering necessary for the preparation of bid specifications will be carried out. The second phase will involve construction and operating of the test facility. The cost for the first phase is about \$8 million with the second phase expected to cost \$82 million. The project is expected to be located near the boundary between the block of Gulf-Numac's huge 120,000 acre oil sands holdings at Surmont southeast of Fort McMurray and a parcel of adjacent land set aside for experimental work by AOSTRA. Recovery methods based on horizontal wells offer the possibility of improved resources recovery, lower environmental impact, and great cost effectiveness when compared to the presently applied vertical well approach to in-situ recovery.

Exploration

The Company has, to date in 1979, participated in more wells than any previous year. Thirty-eight wells have been cased for gas, six cased for oil, and one cased for water disposal, twenty-six have been abandoned and three are drilling.

Numac participated in drilling three deep foothills wells in 1979 of which the Red Cap and Tupper wells were cased for gas and the Thistle well was abandoned.

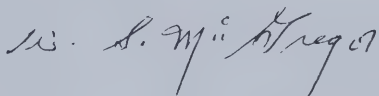
Northeast British Columbia has remained one of Numac's important areas of exploration with significant new discoveries being made in the Buick Creek, Parkland and Tupper areas in the third quarter. Drilling will be carried out at several other

B.C. areas in the coming winter months to offset previously made discoveries in areas such as YoYo, Sierra, Temple, Buckinghorse, Silver, Fireweed, Birch and Charlie Lake. Drilling in new areas will be carried out at Trutch, Dahl, and others.

Exploration in Alberta has been very successful with several new and important discoveries being cased and tested in the past few months. The most noteworthy is the oil discovery in the Blood Indian Reserve where the well tested 430 barrels of oil per day from the Devonian Wabamun formation on a restricted choke. Seismic is presently being evaluated and further drilling is expected this year. Numac now has interests in over 90,000 acres in the general area.

The Company has participated in important oil discoveries in the Elmworth trend and anticipates considerable drilling in this area in the next year. Six out of nine wells drilled in the Elmworth area were cased for gas or oil in 1979.

Several other wells were cased for gas of which Ferrier and Tangent were likely the most significant. Several sections of land were purchased in the vicinity of the Ferrier gas discovery. Numac has also participated in a very active and successful exploration program in the shallow gas area of Eastern Alberta. Numac's winter activities in Alberta will be extensive with several wells being drilled in areas such as Red Earth, Utikuma, Lafond, Rambling, Latourelle, Judy Creek and Blood.

A handwritten signature in dark ink, appearing to read "W.S. McGregor". The signature is fluid and cursive, with the first name "W.S." and the last name "McGregor" clearly distinguishable.

W.S. McGregor
President & Managing Director

Edmonton, Alberta
November 8, 1979

CONSOLIDATED STATEMENT OF EARNINGS
Nine Months Ended September 30, 1979

	1979	1978
REVENUE	<u>\$11,782,077</u>	<u>\$ 9,640,963</u>
EXPENSE		
Operating	2,882,717	2,408,952
General and administrative	472,531	396,484
Interest on long term debt	399,324	264,562
Other interest	1,402,492	614,568
Depletion and depreciation	<u>1,802,602</u>	<u>1,323,166</u>
	<u>6,959,666</u>	<u>5,007,732</u>
EARNINGS BEFORE INCOME TAXES	<u>4,822,411</u>	<u>4,633,231</u>
INCOME TAXES		
Current	(651,685)	(565,000)
Deferred	<u>2,150,587</u>	<u>2,027,155</u>
	<u>1,498,902</u>	<u>1,462,155</u>
EARNINGS BEFORE EXTRAORDINARY ITEM	3,323,509	3,171,076
GAIN ON SALE OF LAND	<u>37,293</u>	<u>33,886</u>
NET EARNINGS	<u><u>\$ 3,360,802</u></u>	<u><u>\$ 3,204,967</u></u>
CASH FLOW	<u><u>\$ 7,122,981</u></u>	<u><u>\$ 6,344,051</u></u>
PER SHARE		
Earnings before extraordinary item	\$ 0.38	\$ 0.38
Net earnings	\$ 0.38	\$ 0.38
Cash flow	\$ 0.80	\$ 0.77
DIVIDENDS	\$ 1,770,226	\$ 663,831

A photograph of an oil derrick at sunset. The derrick is a tall, lattice-structured tower with a platform at the top, silhouetted against a sky with horizontal bands of orange, red, and purple. The derrick is positioned on the left side of the frame. In the background, there are some trees and a low horizon line. The overall mood is industrial and dramatic.

HIGHLIGHTS

	1979	1978
Revenue	\$20,005,960	\$17,477,777
Cash Flow	\$13,161,418	\$12,846,082
Per Share	\$ 1.49	\$ 1.45
Net earnings	\$ 6,199,770	\$ 6,643,955
Per share	\$ 0.70	\$ 0.75
Wells - Drilled	92	59
- Successful	62	44

PRESIDENT'S REPORT TO SHAREHOLDERS

Cash flow in fiscal year 1979 was the highest in the Company's history at \$ 13,161,418 as compared with \$ 12,846,082 in 1978.

INCOME

Net income for the year was \$6,199,770 as compared with \$6,643,955 the previous year. Net income was lower than expected due to extremely high interest rates. In addition, due to lack of markets, one of the Company's gas plants was shut down for 60 days and another gas plant and its supply wells were closed for 115 days. Since gas surpluses also exist at the present time in British Columbia, Numac's Silver gas field plant operated at reduced rates during the summer months of 1979.

Increased gas exports to the United States have been approved and markets should, therefore, improve over the longer term. Numac's exploration budget exceeded \$25 million in 1979 and will probably increase again in 1980.

OIL DISCOVERIES

A new oil discovery was announced by Numac and partners on the Blood Indian Reserve in southern Alberta, as well as three others in the Elmworth area. An additional oil discovery was made at Fox Creek, Alberta. Step-out and development wells in all these areas will be drilled in 1980.

GAS DISCOVERIES

In Alberta, during the year under review, new gas discoveries were announced at Red Cap, Ferrier, Tangent and Gold Creek. In British Columbia exploration was equally rewarding with new discoveries at YoYo, Parkland, Temple, Trutch, Buckinghorse, Gunnell and Tupper. Further details on some of these are contained within the body of this report.

URANIUM

The uranium ore body discovered in northern Saskatchewan in 1978 continues to grow in length and width. This rich deposit, 50% owned and operated by Esso Minerals Canada, was recently calculated by outside consultants to have 77 million pounds of recoverable uranium reserves when the drilling season ended in November, 1979.

The ore body also contains significant amounts of nickel and cobalt. Further drilling commenced in January, 1980 and project studies are proceeding satisfactorily toward the design of a mine and mill. Numac supplies only 10% of the costs of the mine development and the mill, but is carried, interest-free, for an additional 15% in all these costs — for a total interest of 25%.

HEAVY OIL SANDS-SURMONT

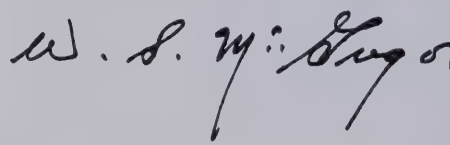
Probably Numac's greatest long-term asset is its 119,000-acre heavy oil sands property north of Cold Lake, Alberta. Outside consultants calculate it to have in excess of 20 billion barrels of oil reserves in place. In the richer areas, oil reserves in place are in the order of 250 million barrels per 640 acres. The property, in some areas, also has gas reserves in shallower formations above the oil.

Numac farmed out this huge property to Gulf Canada Limited, retaining a 5% carried interest in each plant or, if management chooses, a 12.5% participating interest in each plant. The first plant is tentatively planned for 140,000 barrels of oil per day. Gulf and AOSTRA have announced a \$90 million experimental horizontal and steam injection pilot program near the north border of our property which will commence this year.

At year end Numac had interests in 127 capped gas wells in Alberta and British Columbia. Larger gas exports and greater use of gas rather than oil in Canada will be required to alleviate this present gas surplus.

We wish to extend thanks to our shareholders for their faith and support. We also acknowledge the dedication and diligence of our employees for their contribution to our successes in 1979.

On Behalf of the Board of Directors



W.S. McGregor
President & Managing Director

March 6, 1980

EXPLORATION



NORTHWEST TERRITORIES

BRITISH COLUMBIA

ALBERTA

- AREA OF INTEREST
- OIL FIELD
- GAS FIELD

AREAS OF ACTIVITIES

BRITISH COLUMBIA

ALBERTA

- 1 YOHO
- 2 HELMET
- 3 PEGGO
- 4 SIERRA
- 5 TRUTCH
- 6 TEMPLE
- 7 BUCKINGHORSE
- 8 POCKETKNIFE
- 9 SILVER
- 10 SLAVE
- 11 DAHL
- 12 FIREWEED - BIRCH
- 13 BUICK CREEK
- 14 CHARLIE LK.
- 15 RED CREEK
- 16 PARKLAND
- 17 TUPPER
- 18 ALTARES

- 1 HAIG
- 2 RAMBLING
- 3 DIXONVILLE
- 4 BISON
- 5 TANGENT
- 6 RED EARTH
- 7 UTIKUMA
- 8 SURMONT
- 9 ELMWORTH
- 10 FOX CREEK
- 11 LATOURNEL
- 12 RED CAP
- 13 THISTLE
- 14 RADIAL-FERRIER
- 15 BLACKIE
- 16 CLARESHOLM
- 17 BLOOD
- 18 EASTERN ALTA.

UNITED STATES

Exploration in 1979 in Alberta and British Columbia was by far the most extensive program in Numac's history. The Company participated in drilling 92 wells of which 52 were cased for gas, 10 cased for oil and 30 were abandoned.

It is anticipated the exploration program for 1980 will surpass 1979.

ALBERTA

Numac participated in several interesting land purchases and drilled several deep tests in the Foothills and Deep Basin areas of Alberta. Significant gas discoveries were made at Red Cap, Ferrier, and Elmworth. The Company's main gas producing areas are Haig, Dixonville, and Fox Creek with other areas such as Radial and Eastern Alberta to come on stream in 1980. New oil discoveries at Wembley, Gold Creek, and Blood should add considerable production to the Company in the near future. Red Earth, Utikuma, Snipe Lake, and Blackie are the key oil producing areas at the present time.

NORTHWEST ALBERTA

In the Haig River area 2 wells produced .75 million cubic feet per day net to Numac. The Company also has 4 shut-in gas wells on its acreage. The Rambling area will see a further 2 wells drilled where we now have 4 wells cased for gas on a 53,000 acre spread of land.

Numac operates a gas plant at Dixonville where a net 2 million cubic feet per day of gas is produced from 6 wells. Further drilling in this area will be carried out if new gas contracts become available.

The Company drilled a second gas well in the Tangent area that increased the gas reserves considerably. This well is 1 mile northeast of a previously capped gas well.

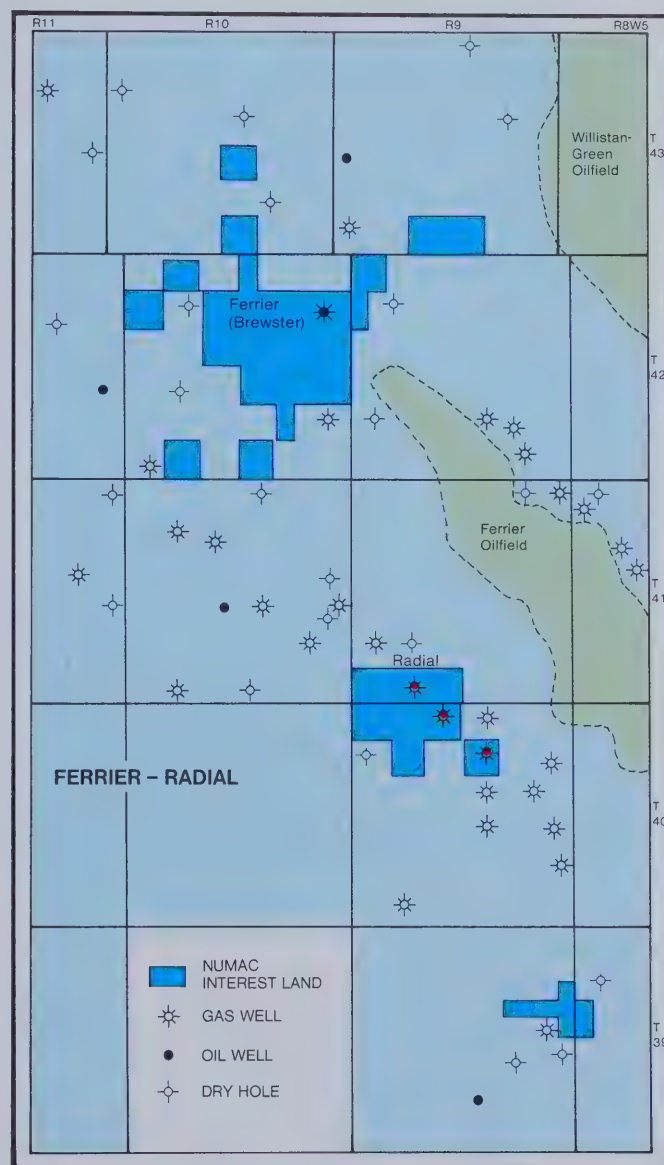
BISON-LAFOND

The Company farmed out its 25,600 acre block in northern Alberta and the first well drilled was a successful gas well. The farmee will drill a further 3 wells on the land to earn a 50% interest in the acreage from Numac.

RED EARTH-UTIKUMA

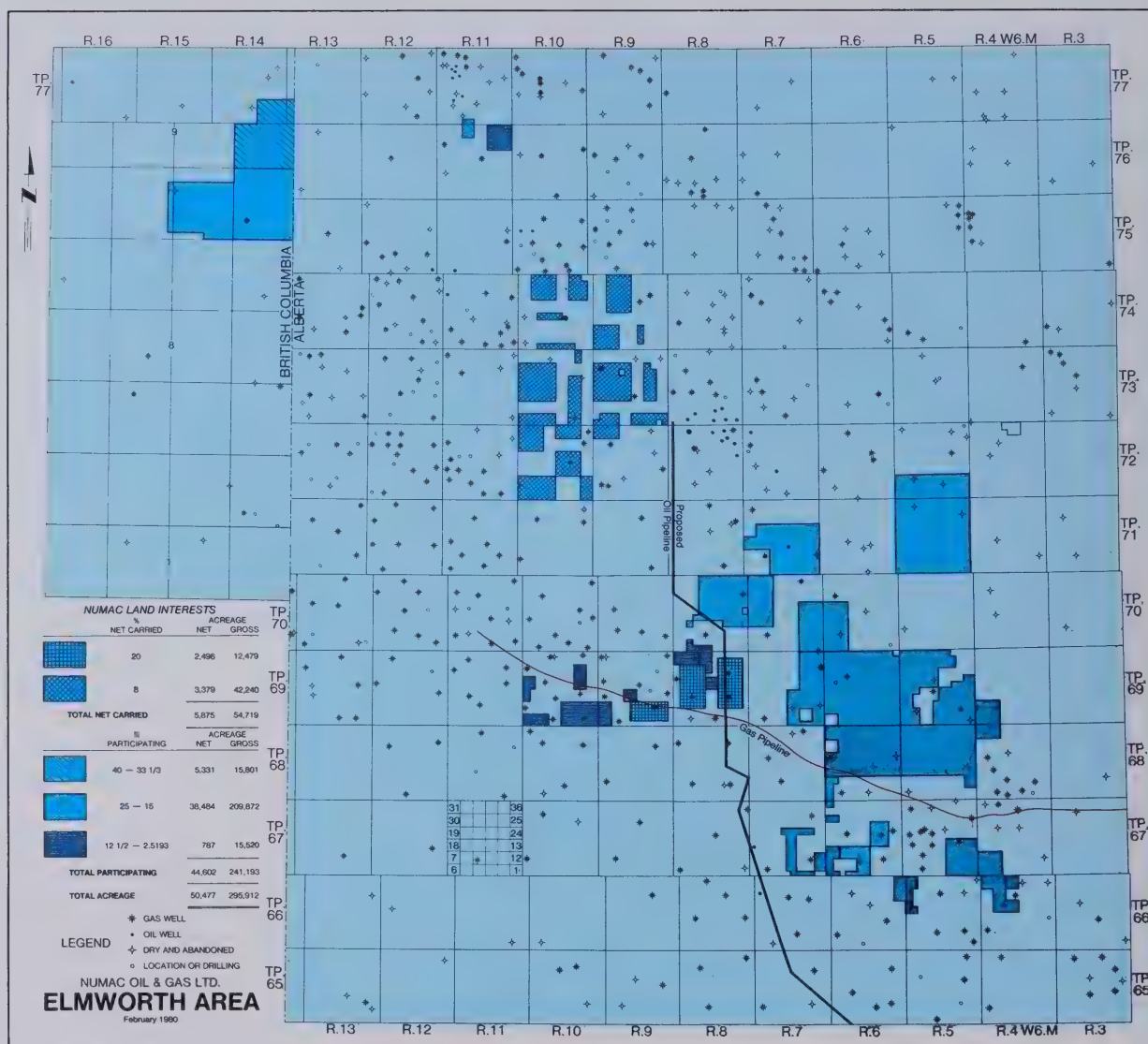
The Red Earth and Utikuma areas provide the Company's main oil production from a Granite Wash sand. Some production is also taken from the Slave Point formation in the Red Earth field. Numac will drill several wells to establish a

secondary recovery scheme with a waterflood in the Slave Point at Red Earth. Other exploratory wells will be drilled in the Bat Lake and Utikuma Lake areas where the Granite Wash sand is the main prospect.



FERRIER-SUNCHILD

Numac participated in drilling an important gas discovery in the Ferrier-Sunchild area. Since this well was drilled considerable acreage has been purchased and Numac now has interests that vary from 15% to 50% in 13,400 acres of land. The Ferrier well is located approximately 9 miles north of the Radial area where Numac has an interest in 3 gas wells that will go on stream in 1980.



ELMWORTH

Numac completed 8 of 11 wells on the Elmworth trend in 1979 some of which were cased for gas and oil. Although very little production testing has been carried out in the area on the gas zones, several of the wells have been interpreted from the electrical logs to have more than one formation capable of producing gas.

Two wells in the Gold Creek area have been completed for oil but also appear to have gas in the Falher sands while a third well in the Gold Creek block has not been completed and appears on the electrical logs to have the same producing horizons present. Another well on this block has been completed for gas and would appear to have a further oil zone to test. Numac has a 15% interest in the above 4 wells.

A well drilled in the Pipestone-Wembley area where Numac has a 24% interest tested 1,050

feet of oil on drill stem test from the Triassic Halfway sand. Mechanical problems were encountered on the completion of this well and as a result the well is not on production at this time. Further drilling will be carried out on this important play in the near future. Numac and partners hold 27,040 acres in this area.

The other 3 wells were cased for gas but have not been completed at this time. The lack of markets give companies very little incentive to spend the large amounts of money it takes to complete some of these sands.

Numac now has varying interests in 18 cased wells in the Elmworth area. Most of these wells are still under confidential status and remain "tight holes"; however, 2 wells in the Wapiti area in which Numac has a 20% carried interest are very significant. These tested 9.9 and 10.8 million cubic feet per day from thick Falher sands.



EASTERN ALBERTA

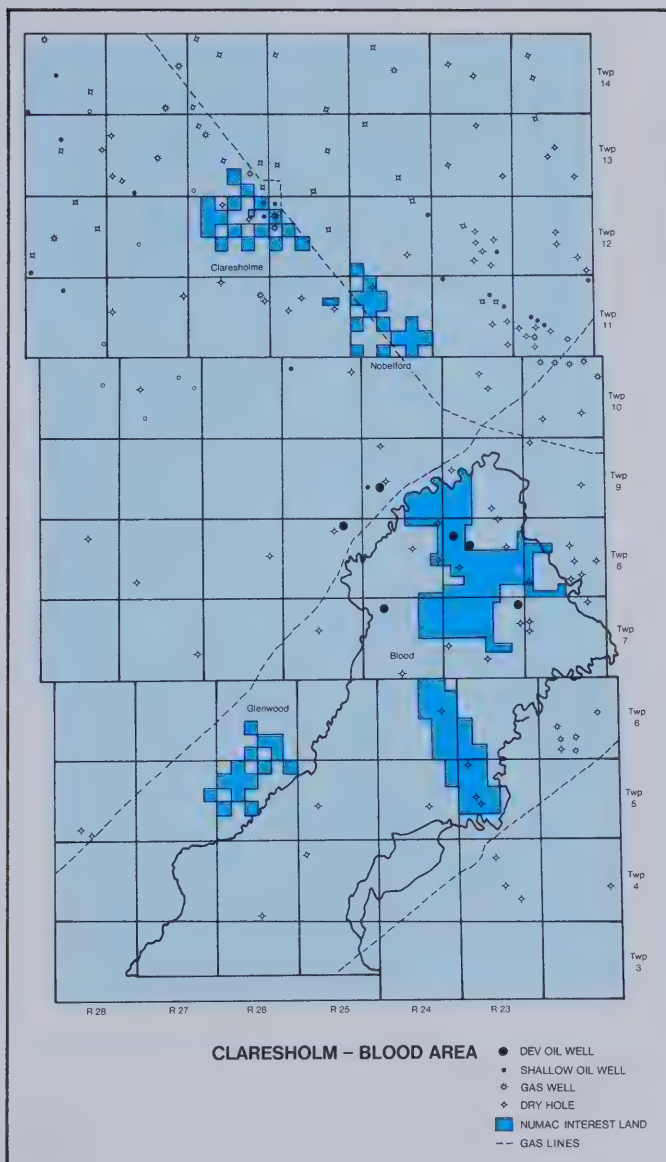
The Company participated in drilling 28 wells in the shallow gas area southeast of Edmonton in eastern Alberta. Twenty-two of the above wells were cased for gas and 6 were abandoned. Several gas gathering systems are located close to the various discoveries and it is anticipated that a number of these wells could be delivering gas to market within the year.

BLACKIE

Numac participated in drilling 2 new oil wells at Blackie. Further drilling is anticipated in this area in 1980. An associated gas recovery scheme is being planned for this field and a gas plant is approved to be built.

BLOOD

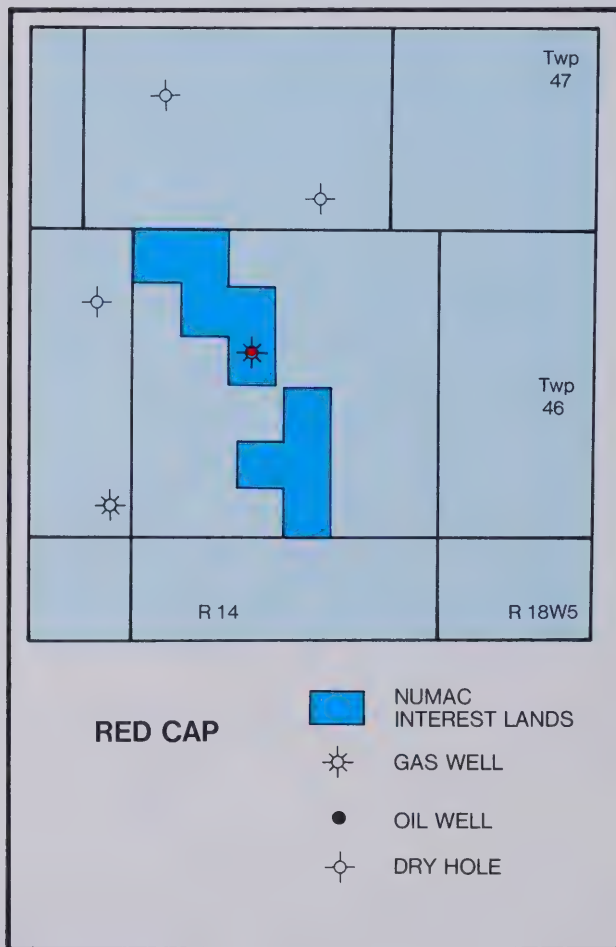
Numac has a 25% interest in a new and significant oil discovery on the Blood Indian Reserve in southern Alberta. The well, 10-30-8-23W4M, when completed tested 430 barrels of oil per day on a restricted choke from the Wabamum formation. Two other wells were drilled 1.5 miles



northwest and 2.5 miles southwest of the discovery to evaluate expiring lands and a land sale, but both were abandoned. These wells were drilled without seismic control. The Company, along with its partners, Gulf and Kaiser, purchased several blocks of land south of the discovery where considerable seismic has been shot and is presently being interpreted. Further exploration drilling will commence in the spring of 1980. Numac now holds interests ranging from 10% to 50% in over 95,000 acres of land in the Blood and Claresholm areas of southern Alberta. This area is prospective for oil and gas in several formations. A number of wells in the Blood area have been completed for Nisku and Mississippian oil and scout information suggests that important Cretaceous and Mississippian discoveries have been made northwest of Numac's Claresholm Mississippian oil and gas wells.

FOX CREEK

Two new wells were drilled in the Fox Creek area in 1979. One well, in which Numac has a 30% interest, was cased for gas while the other well was cased for oil. Numac has a 50% interest in the oil well. The Company will participate in several wells that will be drilled in this area in 1980. The Numac operated gas plant is currently producing 2.4 million cubic feet per day of which Numac has a 50% interest.



RED CAP-THISTLE

Numac participated in 2 deep wells at Red Cap and Thistle of the central foothills area of Alberta. The Thistle well unfortunately was abandoned, however, the Red Cap well was drilled to a depth of over 13,800 feet and cased for Mississippian gas. Upon completion the well tested 5.9 million cubic feet per day. Numac and its partners purchased 2 new sections of land offsetting this well. Numac now has an 11.6% interest in the well and 4,480 acres of land and a 25% interest in 1,280 acres in the immediate areas. Further drilling offsetting this important discovery should add considerable reserves to the Company.

BRITISH COLUMBIA

Numac participated in drilling 29 wells in British Columbia in 1979 of which 19 were cased for gas and 1 for oil. The Company has gas on stream mainly from Helmet, Fireweed, Birch and Silver with oil production from Inga, Buick Creek and Squirrel.

DAWSON

Numac participated in drilling a well on the southern portion of its large Dawson acreage. This well was drilled to a depth of 10,528 feet where the well was cased for gas. Completion of the well has not been carried out to date but indications are that this well should be extremely important to Numac. The Dawson acreage is on the northwest portion of the Elsworth trend. Numac now has 15% to 33 1/3% interest in 46,800 acres in the immediate area. Further drilling is anticipated on these lands after the initial well has been production tested.

PARKLAND

Numac participated in drilling a very promising gas well on its large permit at Parkland. Further lands were purchased offsetting this discovery and the Company now holds a 25% interest in 32,629 acres of land.

FORT ST. JOHN

Numac participated in drilling and casing wells at Tea, Stoddart and Red Creek. These areas are all close to Fort St. John where numerous gathering pipelines are present.

FORT NELSON

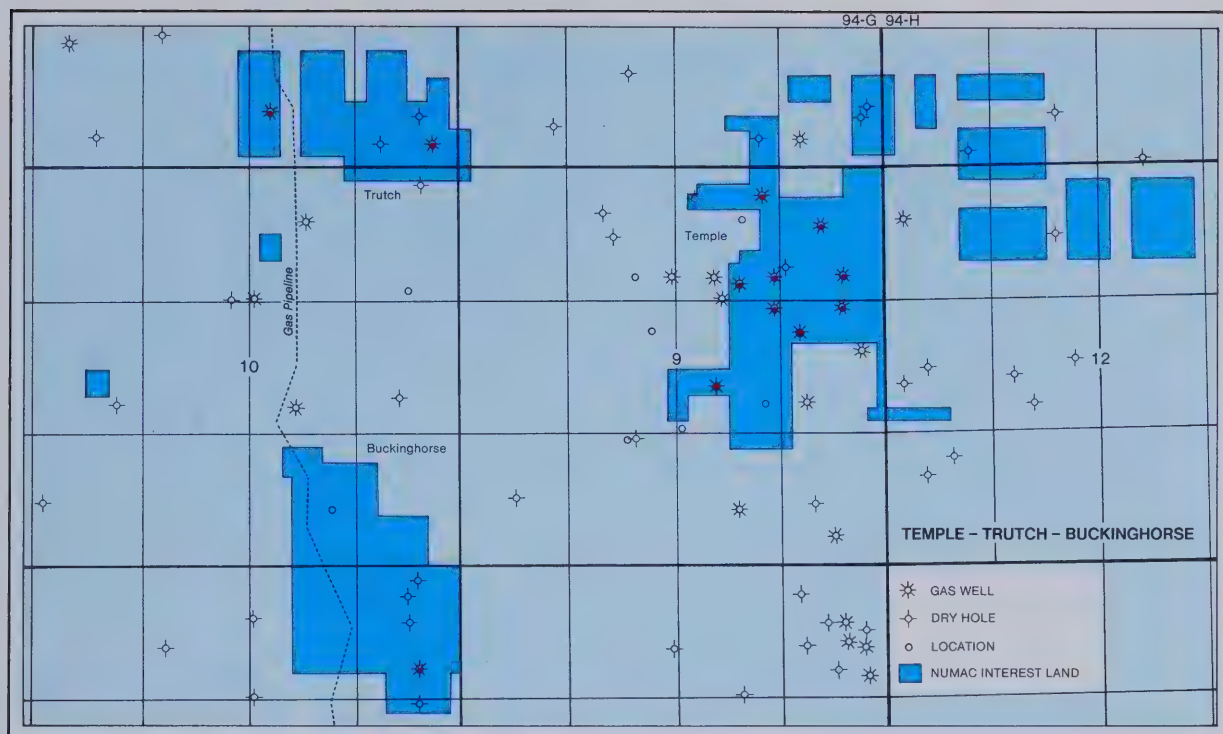
A significant Devonian gas discovery was made on Numac's 20,000 acre YoYo block. The well was cased and tested a flow of 4 mmcf/day. This well is only 6 miles west of a major pipeline.

South of YoYo in the Gunnell area, Numac participated in redrilling a previously abandoned hole and cased and completed the well for gas from a Devonian formation. The Company now holds interests varying from 12.5% to 25% in 12,257 acres. Two more wells will be drilled in the winter of 1980 on this play.

A Devonian test will be drilled in 1980 on the Company's Peggo acreage where Numac and its partners are farming out. This location is 7 miles northeast of Numac's producing Helmet gas well.

SILVER

Four wells were drilled on Numac's acreage in the Silver area in 1979. Two of these were cased



for gas. The Silver field is currently producing 4 million cubic feet per day net to Numac from 5 tied-in producing wells. Other drilling in the general Silver area will be carried out on Numac's lands at Slave, Dahl, and Antelope if rigs are available.

TEMPLE-TRUTCH-BUCKINGHORSE

The lands and acreage that encompasses Numac's Temple and Trutch and Buckingham areas could develop into being one of British Columbia's most prolific gas areas as it now appears that the main producing horizon, the Triassic Halfway sand, could be continuous and productive throughout the area. The advent of new completion methods has been the main reason for this play to develop. Several wells had been drilled in previous years but not completed for gas. In 1978 at Temple, Numac and its partners drilled and completed a well that kicked off this extensive play where the Company now has 6 wells cased for gas and another 5 locations to be drilled in 1980. The Company holds a 33 1/3% interest in 46,000 gross acres in the immediate area of the play. Several wells have also been drilled by other companies in this area and as a result the land prices have sky-rocketed.

Further to the west is Numac's Trutch area. The Company participated in the drilling of 2 wells of which 1 was cased for gas. The Company purchased lands adjacent to this well and now has interests varying from 16 2/3% to 33 1/3% in over 26,600 acres in the Trutch area. Several wells could be drilled on this play in the next year.

The Buckingham area lies to the south of

Trutch where Numac has 20% to 40% interest in over 36,600 acres of land. A significant gas discovery was made on the south side of this large acreage block and further drilling will be carried out in 1980.

The main gas line that picks up gas at Clarke Lake runs north/south through both the Trutch and Buckingham acreage spreads.

FIREWEED

Numac now has 4 tied-in gas wells at Fireweed and Birch producing approximately 1.25 million cubic feet per day net to Numac. The Company expects several more wells to be tied-in in the coming year. An active drilling program will be carried out in these areas exploring for both gas and oil.

BUICK CREEK

In the past year the Company drilled 2 significant gas wells in the Buick Creek south area which will be followed up with further drilling. Numac has 1 producing well in this area.

Numac's exploration program in British Columbia and Alberta has been extremely successful. However, several of our very promising wells drilled in 1979 still need to be completed and production tested before they will be classed officially as having proven reserves. It is of course difficult in some cases to carry out these large expenditures when markets are not available. The new oil discoveries, with further drilling, should also give Numac a substantial increase in its oil reserves.

MINING

MIDWEST LAKE, SASKATCHEWAN

To the end of the 1979 drilling season, a total of 341 holes have been drilled on the Midwest property. A reserve study completed by W.M. Gilchrist & Associates Limited, using the data from these holes, indicated recoverable ore reserves to be 75 to 80 million pounds of uranium, 60 million pounds of nickel and 7 million pounds of cobalt.

Further drilling is in progress this winter with 2 drills working on exploration, primarily on the northern extension, and one on a continuing program of delineation drilling on the main ore body. It is planned to add a barge rig during the summer to delineate the eastern boundary of the ore body.

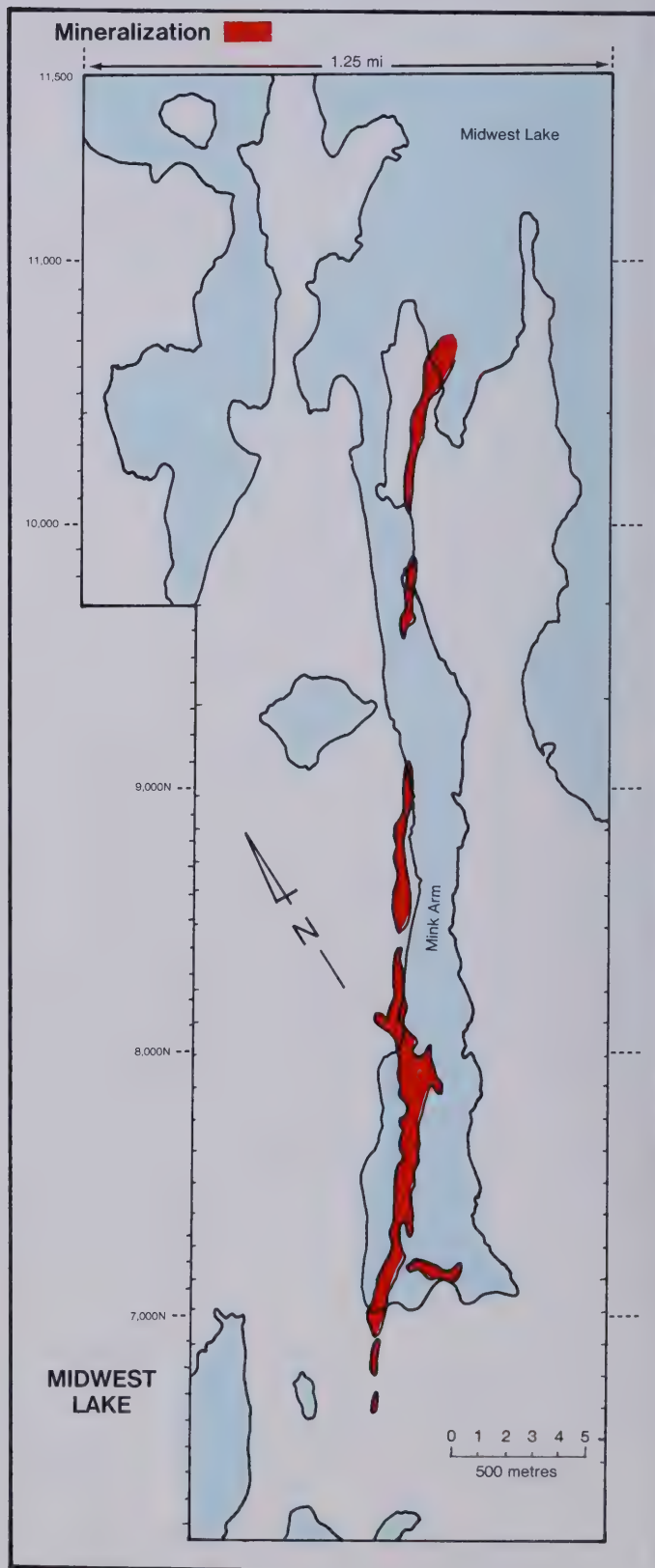
Significant results are being obtained to the north on an extension that runs under another arm of the lake where the geology is similar to that of the main ore body. This area will be followed up by an extensive drilling program.

Project studies are at an advanced stage including environmental impact which will be presented to the Saskatchewan government during the first part of 1980. Mine design is progressing favorably along with access road planning and site facility layout.

Numac has a 25% working interest in the property but has a preferred position in that the Company has to supply only 10% of all exploration and development



costs through to production start-up. The remaining 15% is carried free of interest charges and is recoverable out of the first production. Commencement of production is expected during the mid-1980's.



OTHER MINERAL EXPLORATION

Numac holds a 17.37% participating interest in 9,796 acres of Mineral Leases in the CARSWELL area of northern Saskatchewan, near the Cluff Lake uranium mine now being developed by Amok Ltd. Amok is also involved with Numac, Esso Minerals and Bow Valley in the Carswell uranium project and, as operator, expended in excess of \$800,000 during 1979 on drilling and other exploration. Information obtained from this work is now being assessed and the group will soon be meeting to plan the 1980 exploration program.

Numac holds a 25% participating interest in two Mineral Permits containing 361,028 acres in the uranium-prone CREE LAKE area in northern Saskatchewan. The properties are located between the Cluff Lake and Key Lake uranium ore bodies, along the southern rim of the Athabasca Lake sandstone basin. Due to encouragement received from the 1979 exploration program, an exploration budget (including drilling) of at least \$250,000 has been approved for 1980. Esso Minerals is operator for the Cree Lake group which also includes

Precambrian Shield Resources Limited, Saskatchewan Mining Development Corporation and Dual Resources Limited.

Numac and Precambrian Shield Resources Limited are joint owners of a gold prospect at CLAN LAKE, 35 miles northeast of Yellowknife in the Northwest Territories. Precambrian, as operator, recently announced the staking of 11,000 acres adjacent to the jointly-held NOSE Mineral Leases, bringing total holdings to 13,000 acres. Previous work by Precambrian/Numac on the NOSE leases had established the property as a gold prospect of considerable merit. At the time that work was carried out, a bulk sample of 1,141 tons was mined and milled. The average grade of the sample was 0.423 ounces per ton and at 97% recovery produced a 468 ounce gold brick. The dramatic increase in the price of gold has thus prompted Precambrian and Numac to expand the Clan Lake holdings and embark on a broad regional exploration program during 1980.

OIL SANDS

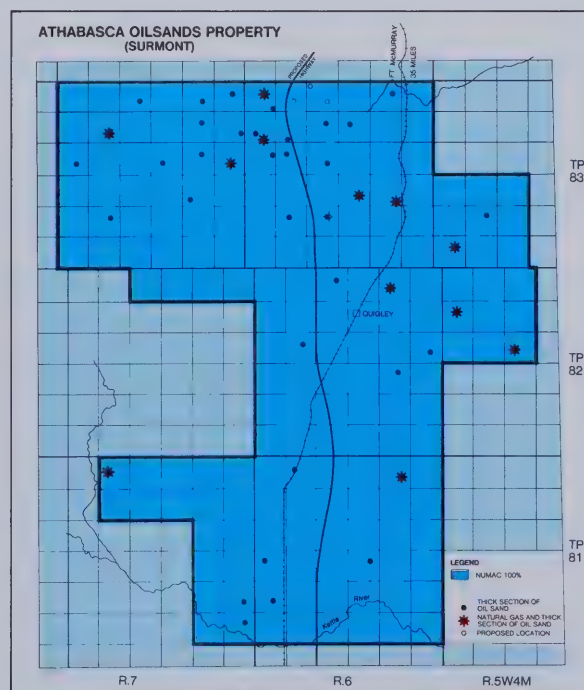
ATHABASCA BITUMINOUS OIL SANDS (SURMONT) ALBERTA

At the end of 1977, Numac signed a farmout arrangement with Gulf Oil Canada Limited on the Company's 119,000 acre oil sands property. Since that time, Gulf has been actively engaged in further exploration to confirm reserves and formation characteristics with the intention of planning pilot recovery projects. During this period the major portion of the work has been carried out on the northern end of the property where they confirmed the presence of upwards of 250 million barrels per 640 acres of bitumen in place in the richer and thicker areas. In all, in excess of 20 wells were drilled.

During the third quarter of 1979, Gulf came to an agreement with the Alberta Oil Sands Technology and Research Authority and announced a pilot project to cost approximately \$90 million (1980 dollars). The project will test the feasibility of sinking a shaft and thence tunnelling in the limestone beneath the oil sands and from these tunnels drilling upwards into the sand and instituting a steam flood scheme. The advantages seen in this procedure are that it reduces substantially the footage to be drilled since there is 1000 feet of overburden present, reduces environmental impact and that efficiency in recovery should be substantially increased resulting in cost per barrel efficiencies. In addition, it has the attraction of

expansion into a commercial project without abandonment of the pilot. The planning of this project is proceeding and is aimed at an early construction start.

In addition to this major project, Gulf will be carrying out several other pilot projects at the same time to examine other concepts and some of these will be in operation starting in 1980.



MACKENZIE DELTA, NORTHWEST TERRITORIES

Numac's Delta property consists of 270,242 acres that were acquired in 1964. The property was farmed out to Sun Oil Company Limited. This left Numac with a net preferred carried interest (a share of income from first sales of oil and/or gas) of 7.15% which will increase to 20% after recovery of drilling and development costs. In addition, Numac presently receives \$200,000 per year during exploration stage.

In 1975 Sun whipstocked the Garry P-04 well, in which Numac has a gross override, from Numac's acreage into adjoining Chevron acreage to the east and completed it as a gas and oil well. A zone below 9,600 feet tested 14 million cubic feet of gas per day with condensate while a test of an upper zone below 5,100 feet tested at the rate of 7,200 barrels of oil per day. Another gas zone above the oil zone tested gas at the rate of 17 million cubic feet per day. There is a gas pay zone of 265 feet and 65 feet of oil pay, for a total pay section of 330 feet. Gas reserves attributed to the section on which the well is located by DeGolyer and MacNaughton were 283.607 billion cubic feet.

A significant stepout well, Garry G-07, was drilled and completed three miles north on the structure in the first quarter of 1978. This well also flowed gas at the rate of 21.4 mmcf per day from two horizons.

Markets have been a concern for this area, however, recent activity in the Beaufort Sea and at Norman Wells have renewed interest in the Delta.

PROVEN & PROBABLE RESERVES

	CRUDE OIL (Barrels)	NATURAL GAS (mcf)
1979 Production	612,643	3,142,000
1979 Additions	501,000	27,078,000
Reserves at December 31, 1979	11,028,600	140,138,000

Proven reserves are those quantities of crude oil and natural gas, which upon analysis of all geological and engineering data appear, within reasonable certainty, to be recoverable from known reservoirs under economic and operating conditions then existing. These reserves are limited to those expected to be recovered at commercial rates, under current operating conditions and under existing regulatory practices. Probable reserves, in the case of oil, are considered to be those reserves, commercially recoverable as the result of the beneficial effects which may be derived from enhanced recovery systems or more favorable

performance of the primary recovery mechanism, whereas, in the case of gas, probable reserves are based on potentially productive areas where the reservoir is under-developed but the area has been delineated by successful drilling.

The Company crude oil reserves are those based on a reserve study carried out by McDaniel Consultants (1965) Ltd. as of January 1, 1980. The results of this study indicate a reduction of 1,161,000 barrels in the Red Earth reserves but still a remaining life in excess of 20 years, and also small revisions in other producing properties. Offsetting this re-evaluation to some extent are 1979 discoveries elsewhere of 501,000 barrels. This does not include reserves that could be attributed to zones in new wells at year end that have not yet been tested.

Gas reserves calculated by McDaniel are only attributed to wells either completed and on production, or tested. Additional reserves will be added from wells already cased but not tested as this work is completed.

LAND HOLDINGS

On December 31, 1979, Numac's land holdings consisted of varied interests in petroleum, natural gas and other minerals as set out below:

	Gross Acres	Net Acres
Petroleum and Natural Gas		
Alberta	1,174,085	264,200
British Columbia	579,612	190,236
Other Areas	321,725	54,481
	<u>2,075,422</u>	<u>508,917</u>
Other Minerals	437,026	105,225
	<u>2,512,448</u>	<u>614,142</u>

The Company continued its policy of confining its acquisitions of petroleum and natural gas rights to the Provinces of Alberta and British Columbia where the regulations, incentive, and geological conditions appear to be most favorable. Selective crown land purchases during the year in Alberta and British Columbia consisted of varied interests in 128,546 and 42,946 acres respectively. Approximately three-quarters of total funds expended on these lands were in the Company's most active exploration areas — Elmworth/Gold Creek, Blood and Ferrier, Alberta, and Temple, British Columbia. The main holdings of other minerals continue to be concentrated in the uranium-prone Midwest Lake (see page 11), Cree Lake and Carswell (Cluff Lake) areas of Saskatchewan.

It is anticipated 1980 land acquisition policies will continue relatively unchanged, unless unpredictable political changes make policy reconsideration advisable.

OTHER COMPANY ACTIVITIES

OILFIELD CONSTRUCTION

The oilfield construction division of the Company is primarily engaged in road building in the foothills area of Alberta and other oilfield-related activities, including lease preparation, restoration of drillsites and island building in the Mackenzie Delta. This company has had an enviable history of success in this type of work and has consistently contributed to profits.

REAL ESTATE

Numac is both directly and indirectly participating in real estate activities in the Edmonton area of Alberta. It owns 60% of the outstanding shares of Nu-Alta Developments Ltd. which in 1974 completed the 14-storied twin towered, interconnected office building named "Petroleum Plaza" in Edmonton. The complex is fully leased. Numac has acquired directly certain other real estate lands in the Edmonton area which management believes are strategically located in relation to the future development of the North Country and the Athabasca Bituminous Oil Sands area.



Petroleum Plaza



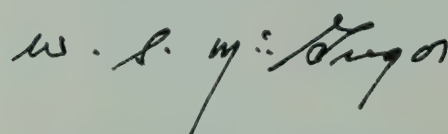
Numac Oil & Gas Ltd.

CONSOLIDATED BALANCE SHEET

ASSETS

	DECEMBER 31	
	1979	1978
CURRENT ASSETS		
Marketable securities, at cost		
(Market value \$8,604,725; 1978 \$5,118,778)	\$ 3,502,904	\$3,099,026
Accounts receivable	3,031,968	2,820,893
Long-term receivables due within one year (Note 3)	4,779,860	4,572,600
Provincial royalty tax credit	897,173	816,452
Inventories, at lower of cost and net realizable value	66,326	101,856
Prepaid expenses and deposits	193,767	177,441
Total current assets	<u>12,471,998</u>	<u>11,588,268</u>
 LONG-TERM RECEIVABLES (Note 3)	 <u>7,658,929</u>	 <u>12,499,040</u>
 FIXED ASSETS, at cost		
Buildings and land	6,453,428	6,464,625
Oil and gas properties - Canadian	72,889,785	50,148,310
- Other	246,583	244,294
Mining properties	1,944,393	1,141,028
Production and other equipment	9,032,458	8,275,724
	<u>90,566,647</u>	<u>66,273,981</u>
 Less: Accumulated depletion and depreciation	 <u>11,157,590</u>	 <u>8,814,744</u>
	<u>79,409,057</u>	<u>57,459,237</u>
	<u>\$99,539,984</u>	<u>\$81,546,545</u>

ON BEHALF OF THE BOARD

 Director

 Director

LIABILITIES

	DECEMBER 31	
	1979	1978
CURRENT LIABILITIES		
Bank indebtedness	\$ 584,070	\$ 8,525,712
Accounts payable and accrued	3,870,031	2,820,532
Long-term debt due within one year (Note 4)	120,000	75,000
Deferred income (Note 5)	4,345,133	4,121,642
Total current liabilities	8,919,234	15,542,886
 LONG-TERM DEBT (Note 4)	 24,500,000	 4,793,040
 DEFERRED INCOME TAXES	 21,236,360	 16,597,377
 DEFERRED INCOME (Note 5)	 4,679,364	 8,837,760
	<u>59,334,958</u>	<u>45,771,063</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 6)		
Authorized		
20,000,000 shares without par value		
(1978 10,000,000)		
Issued		
8,851,132 shares	11,900,550	11,900,550
 RETAINED EARNINGS		
At beginning of year	23,874,932	18,558,647
Earnings for the year	6,199,770	6,643,955
Dividends (per share 20¢; 1978 15¢)	(1,770,226)	(1,327,670)
At end of year	28,304,476	23,874,932
	<u>40,205,026</u>	<u>35,775,482</u>
	<u>\$99,539,984</u>	<u>\$81,546,545</u>

Numac Oil & Gas Ltd.

CONSOLIDATED STATEMENT OF EARNINGS

	Year Ended December 31	
	1979	1978
REVENUE		
Operating revenue	\$13,887,259	\$11,192,708
Investment income	855,020	1,151,236
Gain on sale of securities	696,176	528,605
Supervision and sundry	116,087	145,015
Mackenzie Delta	200,000	200,000
Athabasca Oil Sands (Note 3)	4,081,000	4,081,000
Gain on sale of fixed assets	170,418	179,213
	<u>20,005,960</u>	<u>17,477,777</u>
EXPENSE		
Operating	4,082,525	3,324,157
General and administrative	612,886	597,153
Interest on long-term debt	809,819	336,848
Other interest	2,066,067	1,010,776
Depletion and depreciation	2,640,481	1,835,294
	<u>10,211,778</u>	<u>7,104,228</u>
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	<u>9,794,182</u>	<u>10,373,549</u>
INCOME TAXES		
Current (Provincial royalty tax credit)	(897,173)	(816,452)
Deferred	4,613,108	4,579,932
	<u>3,715,935</u>	<u>3,763,480</u>
EARNINGS BEFORE EXTRAORDINARY ITEM	<u>6,078,247</u>	<u>6,610,069</u>
GAIN ON SALE OF LAND (Net of Tax \$36,621; 1978 \$9,766)	<u>121,523</u>	<u>33,886</u>
NET EARNINGS	<u>\$ 6,199,770</u>	<u>\$ 6,643,955</u>
PER SHARE		
Earnings before extraordinary item	\$ 0.69	\$ 0.75
Net earnings	\$ 0.70	\$ 0.75
Cash flow from operations	\$ 1.49	\$ 1.45

Numac Oil & Gas Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31	
	1979	1978
FINANCIAL RESOURCES PROVIDED BY		
Operations		
Earnings before extraordinary items	\$ 6,078,247	\$ 6,610,069
Items not requiring financial resources		
Depletion and depreciation	2,640,481	1,835,294
Deferred income taxes	4,613,108	4,579,932
Other	(170,418)	(179,213)
Cash flow from operations	13,161,418	12,846,082
Term bank loan	20,000,000	—
Proceeds from disposal of equipment	244,150	354,294
Proceeds from disposal of land	121,300	—
Athabasca Oil Sands proceeds in excess of amount in earnings	419,000	419,000
Reduction of long-term receivable	279,860	72,600
Key Employee Stock Purchase Plan	56,224	63,594
Advance gas payments	66,358	58,561
	34,348,310	13,814,131
FINANCIAL RESOURCES USED FOR		
Resource properties	23,547,129	14,431,056
Plant and equipment	1,128,099	2,411,224
Dividends	1,770,226	1,327,670
Reduction of real estate loans	293,040	936,264
Nu-Alta Developments Ltd.	—	305,015
Other	102,434	46,518
	26,840,928	19,457,747
INCREASE (DECREASE) IN WORKING CAPITAL	7,507,382	(5,643,616)
WORKING CAPITAL (DEFICIENCY), beginning of year	(3,954,618)	1,688,998
WORKING CAPITAL (DEFICIENCY), end of year	\$ 3,552,764	\$(3,954,618)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1979

NOTE 1 - ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all companies in which the Company has ownership of more than 50% of the voting share capital with the exception of 60%-owned Nu-Alta Developments Ltd., an incorporated joint venture, which is accounted for on a proportionate consolidation basis.

(b) Oil and Gas Properties

The Company follows the full cost method of accounting whereby all costs related to exploration and development of oil and gas reserves are capitalized and accumulated in cost centres as follows:

- (1) Canadian (excluding Athabasca Oil Sands)
- (2) Athabasca Oil Sands
- (3) Outside Canada

Costs accumulated in the Canadian cost centre are depleted using the unit-of-production method based upon estimated recoverable reserves. Costs in the Athabasca Oil Sands cost centre (\$52,184) are those incurred subsequent to the agreement entered into in 1977 (see Note 3). Outside Canada costs have been capitalized pending the outcome of exploration and related activities in each area of interest. If exploration efforts are successful, these costs will be depleted on the unit-of-production method. Until sufficient reserves are developed, these costs are amortized at an annual rate of 10%.

(c) Mining

Acquisition and exploration costs of mining properties are capitalized and will be depleted on a unit-of-production basis when production commences.

(d) Depreciation

Depreciation is provided on the straight-line method based on the estimated useful life of the following assets:

- Production equipment at 7%
- Construction and other equipment at 10% to 20%

Real estate buildings are depreciated on the sinking fund method at 5% over a term of 40 years.

(e) Income Taxes

The Company follows the tax allocation method of accounting for income taxes. Under this method, deferred income taxes are recorded to the extent that income taxes, otherwise payable, are deferred by claiming capital cost allowances and exploration and development costs in excess of the depletion and depreciation provisions.

NOTE 2 - SHARE OF OPERATIONS OF NU-ALTA DEVELOPMENTS LTD.

	1979	1978
Revenue from rental operations	\$ 1,778,493	\$ 1,531,908
Expenses	\$ 1,333,650	\$ 1,011,073
Net earnings	\$ 211,803	\$ 135,997
Retained earnings, end of year	\$ 533,723	\$ 321,920
Total assets	\$ 6,771,194	\$ 6,722,704
Total liabilities	\$ 6,236,871	\$ 6,400,184

NOTE 3 - LONG-TERM RECEIVABLES

	1979	1978
Receivable on Athabasca Oil Sands Agreement	\$ 9,000,000	\$13,500,000
Receivable from sale of land	1,201,400	1,274,000
Receivable under the Key Employee Stock Purchase Plan (Note 6)	2,097,611	2,186,903
Other	139,778	110,737
	12,438,789	17,071,640
Less: Due within one year	4,779,860	4,572,600
	\$ 7,658,929	\$12,499,040

In 1977 an agreement was reached with respect to the Company's Athabasca Oil Sands property whereby Gulf Oil Canada Ltd. paid an initial consideration of \$6,000,000 with an additional \$18,000,000 in four equal annual instalments which commenced in 1978 with interest at 4.67%. Numac retains a 5% net carried interest in the property as well as the right to convert to a 12 1/2% participating interest on any proposed oil sands plants.

In 1976 commercial land holdings were sold and the proceeds are receivable in annual instalments in varying amounts until 1981 with interest at 10%.

The gains derived from the above agreements are being taken into earnings on the instalment basis as follows.

	<i>Oil Sands Property</i>	<i>Land Sale (net of income taxes)</i>
1976	\$ -	\$154,147
1977	5,441,431	30,829
1978	4,081,000	33,886
1979	4,081,000	37,293
1980	4,081,000	143,754
1981	4,081,000	473,445
	<u>\$21,765,431</u>	<u>\$873,354</u>

NOTE 4 - LONG-TERM DEBT

	1979	1978
Term bank loan	\$20,000,000	\$ -
Real estate bank loan	4,620,000	4,793,040
8% mortgage	-	75,000
	<u>24,620,000</u>	<u>4,868,040</u>
Less: Due within one year	<u>120,000</u>	<u>75,000</u>
	<u>\$24,500,000</u>	<u>\$4,793,040</u>

The term bank loan is at bank prime rate and represents the outstanding portion of a \$30,000,000 line of credit on which a standby fee of 1/4% is payable. As security the Company has undertaken not to pledge any of its assets without the consent of the bank. The loan is repayable in twenty equal quarterly instalments commencing January 31, 1982.

The real estate bank loan represents 60% of the loan of Nu-Alta Developments Ltd. (see Note 2) and is secured by specific real estate properties. Interest is 1% over the bank prime rate and the loan is repayable on February 28 each year as follows:

1980	\$120,000	1984	\$ 360,000
1981	\$240,000	1985	\$ 360,000
1982	\$360,000	1986	\$2,820,000
1983	\$360,000		

NOTE 5 - DEFERRED INCOME

	1979	1978
Athabasca Oil Sands Agreement	\$8,162,000	\$12,243,000
Land sale	617,199	654,492
Rent received in advance	120,379	3,349
Advance gas payments	124,919	58,561
	<u>9,024,497</u>	<u>12,959,402</u>
Less: Current portion	<u>4,345,133</u>	<u>4,121,642</u>
	<u>\$4,679,364</u>	<u>\$ 8,837,760</u>

NOTE 6 - SHARE CAPITAL

During the year the Company's authorized share capital was increased from 10,000,000 to 20,000,000 shares.

Under the Key Employee Stock Purchase Plan, the Company has agreed to advance funds to a Trustee to be used by the Trustee for the purchase and immediate resale to key employees of shares of the Company's stock at the average sale price of the Company's shares on the day immediately preceding the transaction. At December 31, 1979, \$2,097,611 was receivable by the Company (\$2,186,903 at December 31, 1978) under the Plan and is included in "Long-Term Receivables".

NOTE 7 - REMUNERATION OF SENIOR OFFICERS AND DIRECTORS

The remuneration paid to the senior officers of the Company in 1979 amounted to \$376,272 (1978 \$261,945) and directors' fees amounted to \$14,467 (1978 \$12,275).

NOTE 8 - RESERVE RECOGNITION ACCOUNTING

The Securities and Exchange Commission of the United States has proposed a new accounting method, Reserve Recognition Accounting, which during the development stage requires the disclosure of certain supplementary financial information. This information is included in the Company's 1979 Form 10-K filed with the Commission.

AUDITORS' REPORT

To the Shareholders of
Numac Oil & Gas Ltd.

We have examined the consolidated balance sheet of Numac Oil & Gas Ltd. as at December 31, 1979 and 1978 and the consolidated statements of earnings and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 and 1978 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

EDMONTON, Canada
March 3, 1980

WINSPEAR HIGGINS STEVENSON & CO.
Chartered Accountants

MANAGEMENT DISCUSSION

The following is Managements' description of significant items which affected the Company's operations for 1979 and 1978 compared with the previous year.

1979 COMPARED TO 1978

Total revenue in 1979 increased by 14% to \$20 million from \$17.5 million in 1978. This increase is attributed to a 9% increase in oil production and a 17% increase in natural gas production along with higher wellhead prices. Oil production in 1979 averaged 1,678 barrels per day compared to 1,540 in 1978. Gas production averaged 8.6 million cubic feet per day compared to 7.4 million per day in 1978. The increase in gas production occurred despite market problems which caused 60 to 115 day shut-downs or reduced production at our major facilities. The oilfield construction division increased operating revenues by 30% to \$3.6 million from \$2.8 million in 1978. Real estate revenues were \$1.8 million in 1979, an increase of 16%. Investment income declined as a result of annual repayments of long-term receivables.

Operating expenses increased in 1979 by 23% to \$4.1 million from \$3.3 million. This relates to the 24% increase in operating revenue.

General and administrative expenses in each division were held well within operating increases resulting in a total increase for 1979 of less than 3%.

Interest on long-term debt increased substantially over 1978. Interest on the real estate financing increased from \$329,000 in 1978 to \$568,000 in 1979 because of much higher interest rates during the year as well as converting the debt from a low interest rate non-tax deductible income debenture to a higher rate conventional instrument. The balance of the increase results from the oil and gas division converting \$20 million of operating loans to long-term loans in December 1979.

Other interest expense more than doubled in 1978 due to higher borrowings resulting from a very aggressive exploration program and much higher interest rates. The prime rate averaged 12.77% in 1979 as compared to 9.62% in 1978, an increase of 33%. At December 31, 1979 the prime lending rate was 15%.

Depletion increased by 52% to \$1,936,000 in 1979 due to a much larger resource cost base, reserve revisions and increases in production. Depreciation increased by 24% to \$705,000 as a result of gas processing equipment constructed during 1978 being in operation for all of 1979.

The extraordinary gain on the sale of land is the result of 4 acres being sold for right-of-way resulting in a profit after deferred tax of \$85,000 plus the 1979 gain of \$37,000 referred to in Note 3.

The conversion of \$20 million of operating loans to long-term debt resulted in an increase in working capital of \$7.5 million despite capital expenditures of \$24.6 million.

1978 COMPARED TO 1977

Total revenue for the year is up 5% or \$874,000 despite the inclusion in current year's earnings of \$1,360,000 less from the Athabasca Oil Sands Agreement.

The increase in operating revenues reflects increased oil and gas prices and increased gas production. Natural gas production increased by 49% over 1977 to 2,694,000 mcf despite the major purchasers being in an oversupply position. Net oil and gas production revenue after royalty increased in 1978 to \$6,894,000, an increase of 30% over the \$5,310,000 in 1977. Nu-Alta rental revenue increased by 17% during the year. The large increase in investment income is the result of receiving interest on the Oil Sands Agreement signed in December of 1977. Gains on sale of securities of \$528,605 have been reported in 1978 as a number of marketable securities were liquidated during the year at a profit.

Operating expenses increased by 25% during the year to \$3,324,000. 21% of this increase is attributed to higher operating costs in the oilfield construction division which moved much of its equipment out of the Arctic during the year.

Interest on long-term debt is entirely from the real estate financing and decreased significantly during the year due to the conversion of the debt to a lower interest rate Income Debenture in August of 1977. Of the apparent decline of \$535,000 the Nu-Alta accounting change is responsible for \$219,000. Other interest increased during the year by \$417,000 due to a high level of oil and gas exploration and development expenditures combined with an increase in average interest rates over 1977 of 13%.

Depletion increased over 1977 by \$287,000 because of higher gas production as well as a higher factor resulting from increased exploration expenditures.

Working capital decreased during the year by \$5,644,000 and a working capital deficiency of \$3,954,000 resulted at the year end. This does not cause any concern to management as the Company is still in the enviable position of not having any of its petroleum or mining holdings pledged to secure loans. The only long-term debt of the Company is its share of the real estate financing which was \$4,793,000 at December 31, 1978.

The primary reason for the \$156,000 decrease in deferred income taxes is the higher proportion of oil and gas production revenue in earnings. Production revenue qualifies for certain income tax incentives which the other sources of income do not.

Numac Oil & Gas Ltd. and Subsidiaries

TEN YEAR PREVIEW

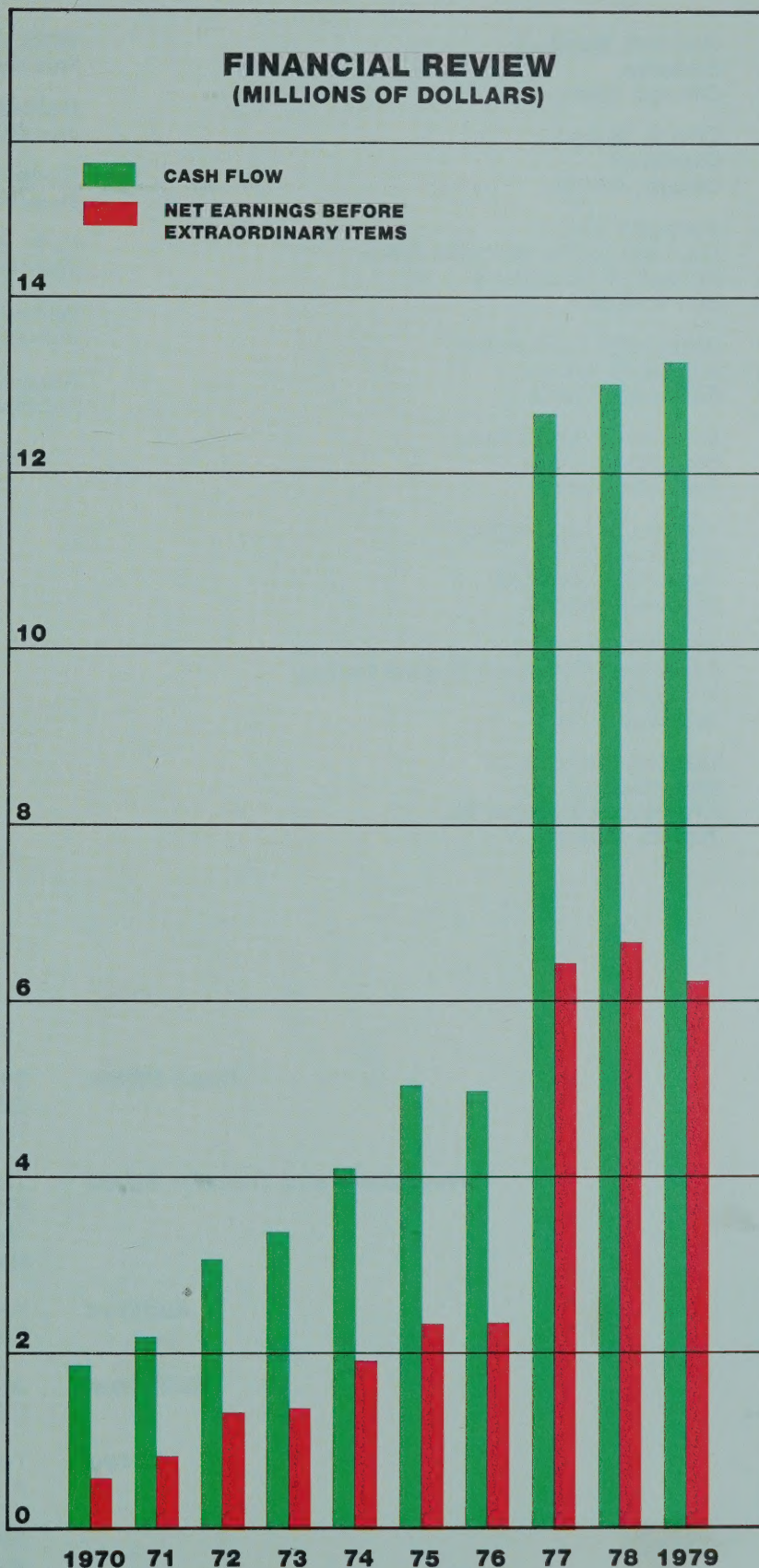
FINANCIAL

(\$ Thousands, except per share amounts)

	1979	1978	1977	1976	1975	1974
REVENUE						
Oil and gas division	\$12,904	\$11,320	\$11,129	\$ 3,374	\$ 2,851	\$ 2,081
Oilfield construction	3,772	2,946	2,924	3,165	2,731	2,568
Real estate	1,779	1,532	2,162	2,791	2,723	1,551
Investment income	1,551	1,680	389	454	394	481
TOTAL	20,006	17,478	16,604	9,784	8,699	6,681
EXPENSE						
Operating	4,083	3,324	2,679	2,958	2,506	1,747
General and administrative	613	597	482	450	420	322
Interest on long-term debt	810	337	872	1,122	994	701
Other interest	2,066	1,011	593	654	116	75
Depletion, depreciation and amortization	2,640	1,835	1,470	984	933	994
Income taxes - current	(897)	(816)	(672)	(404)	(381)	(253)
- deferred	4,613	4,580	4,735	1,539	1,734	1,177
Minority interest	-	-	49	20	32	26
TOTAL	13,928	10,868	10,208	7,323	6,354	4,789
EARNINGS BEFORE EXTRAORDINARY ITEMS	6,078	6,610	6,396	2,461	2,345	1,892
EXTRAORDINARY ITEMS - Net of Tax	122	34	(971)	154	-	-
NET EARNINGS	\$ 6,200	\$ 6,644	\$ 5,425	\$ 2,615	\$2,345	\$ 1,892
PER SHARE*						
Before extraordinary	\$ 0.69	\$ 0.75	\$ 0.72	\$ 0.28	\$ 0.27	\$ 0.22
Net earnings	\$ 0.70	\$ 0.75	\$ 0.61	\$ 0.30	\$ 0.27	\$ 0.22
CASH FLOW FROM OPERATIONS PER SHARE*	\$13,161	\$12,846	\$12,576	\$ 4,942	\$4,998	\$ 4,060
	\$ 1.49	\$ 1.45	\$ 1.42	\$ 0.57	\$ 0.58	\$ 0.47
CAPITAL EXPENDITURES	\$24,675	\$16,842	\$11,397	\$9,277	\$7,433	\$ 5,681
OPERATING PRODUCTION						
Oil - thousands of barrels	613	563	566	540	548	537
- thousands of cubic meters	97	89	90	86	87	85
Gas - millions of cubic feet	3,142	2,694	1,811	232	35	39
- thousands of cubic meters	88,510	75,901	51,023	6,536	986	1,099
WELLS DRILLED						
Completed	62	44	25	25	27	15
Abandoned	30	15	18	26	18	7
	92	59	43	51	45	22

*Per share amounts reflect August 1978 two-for-one stock split.

1973	1972	1971	1970
\$ 1,588	\$ 1,127	\$ 1,128	\$ 1,245
2,516	2,554	1,907	1,384
-	-	-	-
498	431	439	351
4,602	4,112	3,474	2,980
910	773	964	827
282	254	241	184
-	-	-	-
29	15	34	46
1,040	811	712	685
-	-	-	-
944	919	604	656
-	-	21	54
3,205	2,772	2,576	2,452
1,397	1,340	898	528
-	47	694	-
\$1,397	\$ 1,387	\$ 1,592	\$ 528
\$ 0.16	\$ 0.16	\$ 0.11	\$ 0.06
\$ 0.16	\$ 0.17	\$ 0.19	\$ 0.06
\$ 3,362	\$ 3,009	\$ 2,214	\$ 1,869
\$ 0.40	\$ 0.36	\$ 0.26	\$ 0.22
\$13,483	\$ 3,079	\$ 2,161	\$ 1,620
569	456	454	558
90	72	72	89
49	50	30	10
1,381	1,409	845	282
14	10	8	3
6	6	10	1
20	16	18	4



DIRECTORS

Ralph A. Bard, Jr.,
Executive
Chicago, Illinois

Olin E. Buker,
Consultant
Calgary, Alberta

Hadley Case,
Chairman & Chief Executive Officer
Felmont Oil Corporation
New York, N.Y.

Alexander N. MacIver,
Barrister & Solicitor
Edmonton, Alberta

Stewart D. McGregor,
Barrister & Solicitor
Edmonton, Alberta

William S. McGregor,
President
Numac Oil & Gas Ltd.
Edmonton, Alberta

Jack W. Robbins,
Senior Vice-President & General Counsel
Pitcairn Incorporated
Jenkintown, Penn.

Marshal Stearns,
Vice-Chairman
F.H. Deacon, Hodgson Inc.
Toronto, Ontario

OFFICERS

William S. McGregor
President & Managing Director

Donald F. Baker
Vice-President, Engineering

Ronald D. Larmour
Vice-President & Treasurer

C. R. S. Montgomery
Vice-President & Secretary

Wilfred J. Wilson
Vice-President, Exploration

Alexander N. MacIver
Assistant Secretary

Head Office

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Registrars and Transfer Agent

The Royal Trust Company,
Edmonton, Montreal, Toronto
The Canadian Bank of Commerce Trust Company,
New York

Auditors

Winspear Higgins Stevenson & Co.,
Edmonton, Alberta

Solicitors

Jackson, Arlette, MacIver & Skitsko,
Edmonton, Alberta

Listed

Toronto Stock Exchange
American Stock Exchange

Symbol: NMC
Symbol: NMC

*Numac Oil & Gas Ltd. was incorporated under the
laws of the Province of Alberta on March 16, 1963.*

